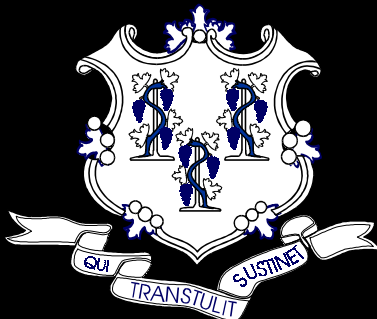


1998 FORM CT-1041

This booklet
contains:

- Form CT-1041
- Schedule B
- Schedule C
- Schedule CT-1041FA
- Form CT-1041 EXT
- Form CT-1041ES

**NOTE: Line
references to federal
Form 1041 are based
on information
provided to us by the
Internal Revenue
Service through
October 15, 1998.**



Connecticut Income Tax Return for Resident, Nonresident and Part-Year Resident Trusts and Estates

Dear Customer:

Connecticut continues to take significant steps to reduce the tax burden on all taxpayers. Important changes that may affect the income tax liability of your trust or estate are highlighted on Page 2. Be sure to read them before completing your return.

Detailed information about Connecticut taxes is available on the DRS Web site (see address at bottom of page). You may also download Connecticut forms and instructions from the Web site or obtain Connecticut income tax booklets and forms at locations described on Page 5.

If you have questions about Connecticut taxes or need help filing your return, please feel free to contact us. Our Taxpayer Services personnel are always ready to assist you. Complete information about reaching us is on the back cover of this booklet.

The award-winning Department of Revenue Services is proud of the quality of service it provides Connecticut taxpayers. Please help us serve you better by completing the Taxpayer Questionnaire in this booklet. As always, I welcome your comments and suggestions to help us serve you better.

Sincerely,

Gene Gavin
Commissioner

Taxpayer information is available on our Internet site:
<http://www.state.ct.us/drs>

DRS MISSION STATEMENT

The Mission of the Connecticut Department of Revenue Services is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient and courteous customer services; and perform in a manner which instills public confidence in the integrity and fairness of the state's tax programs.

Department of Revenue Services walk-in locations and telephone numbers are listed on the back cover.

SOME IMPORTANT CHANGES

- Each estate or trust that is a shareholder of an S corporation subject to the Connecticut corporation business tax must include 75% of its pro rata share of the S corporation's nonseparately computed income or loss, multiplied by the S corporation's corporation business tax apportionment percentage, in computing **Form CT-1041**, Schedule A, *Connecticut Fiduciary Adjustments*. See instructions for Line 3, on Page 17 or Line 10, on Page 18.
- If a request for an extension of time to file a Connecticut income tax return has been granted, no late payment penalty will be imposed if at least 90% of the tax shown to be due on **Form CT-1041** is paid on or before the original due date of the return and the balance due is paid on or before the extended due date of the return.
- For taxable years beginning on or after **January 1, 1998**, taxpayers who have claimed a credit for income taxes paid to another jurisdiction (including alternative minimum taxes) have 90 days instead of 30 days to file an amended Connecticut income tax return to report changes or corrections made to a return filed in the other jurisdiction.
- The tax credit for income tax imposed by and paid to a province of Canada is repealed, effective for taxable years beginning on or after **January 1, 1998**. However, the tax credit for an alternative minimum tax imposed by and paid to a province of Canada is not repealed.

CONN - TAX

If you have a touch-tone phone, you can obtain important income tax information 24 hours a day from CONN-TAX, the Department's information line. Call **1-800-382-9463** (in-state) or **860-297-5962** (anywhere), press **"1"** to be connected to "Income Tax Information Menu," then press **"2"** to select "Recorded Income Tax Information." Then enter the three-digit number beside the topic of your choice.

Easy-to-follow instructions will help you choose from among the following topics:

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- 101 Important income tax changes for 1998
- 102 How to choose the correct form
- 103 Where to get forms and assistance
- 104 Requesting a filing extension
- 105 Filing a decedent's return
- 106 Filing an error-free return
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- 202 What is gross income?
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- 303 Income tax on trusts and estates
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- 502 Withholding instead of making estimates
- 503 Estimated income tax form
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- 505 Annualization of income
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- 602 What do I need to do before making the call?
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HOW TO USE YOUR TAX BOOKLET

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CONNECTICUT GIFT TAX

Gifts made during the calendar year by resident and nonresident individuals are subject to the Connecticut gift tax. Residents are taxed on all gifts of intangible property, real property and tangible personal property located in Connecticut. Nonresidents are taxed on gifts of real and tangible personal property situated in Connecticut. In general, gifts made to any particular donee are not subject to the Connecticut gift tax unless the value of all such gifts to such donee during the calendar year exceeds \$10,000. The tax is computed on the fair market value of the property that was given. The donor is liable for the tax, but, if the donor does not pay the tax, it may be collected from the donee. The tax is reported on, and paid upon the filing of **Form CT-709, Connecticut Gift Tax Return**. The return must be filed by April 15, 1999.

DEFINITIONS

For purposes of the Connecticut income tax, an **estate** is either a resident estate or a nonresident estate. A **trust** is either a resident trust, nonresident trust or part-year resident trust.

IMPORTANT: The residence of the fiduciary or the beneficiary does not affect the status of an estate or trust as resident or nonresident.

Resident estate is where a decedent was domiciled in Connecticut at the time of his or her death. A resident estate also includes a bankruptcy estate of an individual who, at the time of the commencement of the bankruptcy case, is a Connecticut resident.

Nonresident estate is an estate that is not a resident estate for any part of the year.

Trust means an arrangement that is ordinarily created either by a will or by an *inter vivos* declaration whereby a trustee or trustees take title to property for the purpose of protecting or conserving it for beneficiaries, and is classified and treated as a trust for federal income tax purposes.

Testamentary trust is a trust or portion of a trust created by the will of a decedent. **Inter vivos trust** is a trust created other than by the will of a decedent.

Resident trust is any trust or portion of a trust, consisting of property transferred by the will of a decedent who, at the time of death, was a resident individual. If an irrevocable trust consists of property of a grantor domiciled in Connecticut when the trust became irrevocable, it is a *resident trust*.

The criteria used to determine the domicile of a decedent or grantor are the same criteria used to determine domicile for Connecticut individual income tax purposes.

The term *resident trust* also includes a trust or a portion of a trust, consisting of the property of: (i) a person who was a resident of this state at the time the property was transferred to the trust if the trust was then irrevocable; (ii) a person who, if the trust was revocable at the time the property was transferred to the trust, and has not subsequently become irrevocable, was a resident of this state at the time the property was transferred to the trust; or (iii) a person who, if the trust was revocable when the property was transferred to the trust but the trust has subsequently become irrevocable, was a resident of this state at the time the trust became irrevocable.

For this purpose, a trust is **revocable** if it is subject to a power, exercisable immediately or at any future time, to revest title in the person (the grantor) whose property constitutes the trust. A trust becomes **irrevocable** when the possibility that such power may be exercised has ended.

Nonresident trust is a trust that is not a resident trust for any part of the year. **Part-year resident trust** is a trust that meets the definition of resident trust or nonresident trust for only part of the year.

The **Connecticut alternative minimum tax** is a tax imposed on certain individuals, estates and trusts in addition to their regular income tax. Fiduciaries who have a federal alternative minimum tax liability are subject to the Connecticut alternative minimum tax. The tax rate is the lesser of 19% of adjusted federal tentative minimum tax **or** 5% of adjusted federal alternative minimum taxable income. The adjusted federal alternative minimum taxable income of an inter vivos trust with one or more nonresident noncontingent beneficiaries is calculated using the above mentioned fraction.

A **noncontingent beneficiary** is a beneficiary whose interest is not subject to a condition precedent and includes every individual to whom a trustee of an inter vivos trust during the taxable year: (i) is required to currently distribute income or corpus (or both); or (ii) properly pays or credits income or corpus (or both); or (iii) may, in the trustee's discretion, distribute income or corpus (or both). **Noncontingent beneficiary** includes every beneficiary to whom or to whose estate any of the trust's income for the taxable year is required to be distributed at a specified future date or event; **and** every beneficiary who has the unrestricted lifetime or testamentary power, exercisable currently or at some future specified date or event, to withdraw any of the trust's income for the taxable year or to appoint such income to any person, including the estate of such beneficiary. This also applies to a noncontingent beneficiary which is a trust or an estate. Wherever reference is made to an individual who is a noncontingent beneficiary, such reference shall be construed to include a trust or estate which is a noncontingent beneficiary, but shall not be construed to include a corporation which is a noncontingent beneficiary.

A **contingent beneficiary** is an individual (or trust or estate) who is a beneficiary, but not a noncontingent beneficiary, of a resident inter vivos trust.

A **grantor trust** that is required to file federal Form 1041, must file **Form CT-1041** in the same manner.

GENERAL INFORMATION

WHERE CAN I GET HELP?

The Department's Taxpayer Services Division can answer questions on completing your Connecticut tax return. Taxpayer Services may be reached from 8:00 a.m. to 5:00 p.m., Monday through Friday, by calling 1-800-382-9463 (in-state) or 860-297-5962 (anywhere). Telecommunications Device for the Deaf (TDD/TT) users only may call 860-297-4911.

Help is also available from 8:00 a.m. to 5:00 p.m., Monday through Friday, by visiting any of the Department's offices listed on the back cover of this booklet. If you visit, be sure to bring your **COMPLETED** federal Form 1041 and your "state copy" of your federal Form W-2 or 1099-R.

WHERE CAN I GET ADDITIONAL FORMS AND PUBLICATIONS?

You may obtain forms and publications 24 hours a day from the DRS Web site at <http://www.state.ct.us/drs> or through the Department's fax retrieval system by calling the DRS TAX-FAX at 860-297-5698 from the handset attached to your fax machine.

Most Connecticut post offices, banks, town halls, and public libraries have Connecticut income tax forms. Connecticut income tax forms and other tax forms may be obtained at any of the Department's offices, listed on the back cover.

Connecticut tax forms may also be obtained by writing to:

DRS Forms Unit
25 Sigourney Street
Hartford CT 06106-5032

or by calling our Forms Unit at 860-297-4753 (anywhere) or 1-800-382-9463 (in-state) and choosing Option 2. Both numbers are available 24 hours a day.

WHO MUST FILE ?

The fiduciary of a Connecticut **resident estate** or **trust** or **part-year resident trust** must file **Form CT-1041**, *Connecticut Income Tax Return for Trusts and Estates*, if the estate or trust:

- Is required to file a federal fiduciary income tax return for the taxable year; **or**
- Had any Connecticut taxable income for the taxable year.

The fiduciary of a **nonresident estate or trust** must file **Form CT-1041** if the estate or trust:

- Had income derived from or connected with sources within Connecticut (see definition below);

- Incurred a net operating loss for Connecticut income tax purposes, but not for federal income tax purposes; **or**
- Incurred a net passive activity loss or net capital loss for Connecticut income tax purposes but did not incur a net passive activity loss or net capital loss, respectively, for federal income tax purposes.

Income derived from or connected with Connecticut sources includes:

- Income attributable to ownership or disposition of real or tangible personal property within Connecticut including, but not limited to, the income from the rental or sale of such property;
- Income attributable to compensation for services performed in Connecticut or income from a business, trade, profession or occupation carried on in Connecticut;
- Income from a partnership doing business in Connecticut;
- Income from an S corporation doing business in Connecticut; and
- Income from a trust or estate with income derived from or connected with sources within Connecticut.

An estate or trust carries on a business, trade, profession or occupation within Connecticut if:

1. It maintains or operates desk space, an office, shop, store, warehouse, factory, agency or other place **in Connecticut** where its affairs are systematically and regularly carried on; **or**
2. Activities in connection with the business are conducted **in Connecticut** with a fair measure of permanency and continuity for livelihood or profit, as distinguished from isolated or incidental transactions.

A *grantor trust* that is required to file federal Form 1041, must file **Form CT-1041** in the same manner.

Federal Form 1041-A and 5227 Filers

A fiduciary that is required to file federal **Form 1041-A** or federal **Form 5227**, or both, is not required to file **Form CT-1041**. However, the appropriate information must be given to the beneficiaries for completing their individual Connecticut returns. The fiduciary must disclose to the nonresident beneficiaries the amount of income derived from or connected with Connecticut sources.

GROUP RETURNS

A group return may be filed and taxes paid using **Form CT-G, Connecticut Group Income Tax Return**, on behalf of electing beneficiaries only by trusts or estates with ten or more qualified electing nonresident individual beneficiaries in each taxable year. All qualified electing nonresident beneficiaries must have the same taxable year.

A **qualified electing nonresident beneficiary** is one who meets all of the following conditions:

1. The beneficiary was a nonresident individual for the entire taxable year;
2. The beneficiary did not maintain a permanent place of abode in Connecticut at any time during the taxable year;
3. The beneficiary (or his or her spouse, if a joint federal income tax return is or will be filed) did not have income derived from or connected with Connecticut sources other than the beneficiary's share of trust or estate income derived from or connected with sources within Connecticut;
4. The beneficiary waives the right to claim any Connecticut personal exemption and any Connecticut personal credit;
5. The beneficiary does not have a Connecticut alternative minimum tax liability for the taxable year; and
6. The beneficiary elects to be included in **Form CT-G** by completing and delivering to the trust or estate a **Form CT-2NA, Nonresident Income Tax Agreement/Election To Be Included In A Group Return**, prior to the filing of the **Form CT-G** by the trust or estate. By making such election, the beneficiary expressly consents to personal jurisdiction in Connecticut for Connecticut income tax purposes and waives his or her right to request, on his or her own behalf or with others making such election, an extension of time to pay Connecticut income tax.

CONNECTICUT TAX RETURNS FOR INDIVIDUALS

Every fiduciary who acts for an individual whose entire income is in his or her control (for example, a guardian or conservator for an incompetent person) must file a return (1) for a resident individual on **Form CT-1040**, or (2) for a nonresident or part-year resident on **Form CT-1040 NR/PY**. In these cases, the fiduciary must pay the tax due.

Tax returns for decedents - A return must be filed by the executor, administrator or other representative of a taxpayer who died during the taxable year. Use **Form CT-1040**, **Form CT-1040EZ** or **Form CT-1040 NR/PY**, depending upon the decedent's resident status.

CHANGE OF RESIDENCE OF THE GRANTOR OF A REVOCABLE TRUST

If the grantor of a revocable trust has changed his or her domicile from or to Connecticut between the time of transfer of such property to the trust and the time it becomes irrevocable, the residence of the trust will be deemed to have been changed at the date it ceases to be revocable. In such a case the fiduciary must, for the taxable year in which the change of status of the trust occurs, file Schedule CT-1041FA, *Fiduciary Allocation*. The change of residency of a beneficiary does not affect the status of the trust.

CONNECTICUT TAXABLE INCOME FOR CERTAIN INTER VIVOS TRUSTS

If any resident trust or portion of a resident trust, other than a testamentary trust, has one or more nonresident *noncontingent beneficiaries*, the Connecticut taxable income of the trust shall be the sum of all income derived from or connected with sources within this state, **and** that portion of all other income which is derived by applying to all other income a fraction, the numerator of which is the number of resident noncontingent beneficiaries and the denominator of which is the total number of noncontingent beneficiaries.

HOW PART-YEAR RESIDENT TRUSTS ARE TAXED

The income of a part-year resident trust derived from or connected with sources within Connecticut is the sum of the following:

1. The fiduciary's share of Connecticut taxable income for the period of residence, computed as if the taxable year for federal income tax purposes was limited to the period of residence; **and**
2. The fiduciary's share of Connecticut taxable income derived from or connected with sources within Connecticut for the period of nonresidence, determined as if the taxable year for federal income tax purposes was limited to the period of nonresidence; **and**
3. The amount of special accruals (see below).

SPECIAL ACCRUALS

A part-year resident trust must recognize and report items of income, gain, loss or deduction on the accrual basis, regardless of the method of accounting normally used by the taxpayer. In general, an item of income is subject to special accrual if the right to receive it is fixed and the amount to be paid is determinable with reasonable accuracy at the time the trust changes residency status.

Example: A part-year trust that sold property on an installment basis prior to changing from a resident trust to a nonresident trust would accrue the entire gain on the sale of that property to the residency portion of the year.

If the trust became a Connecticut resident trust during the taxable year, it must accrue to the nonresidency portion of the year any item of income, gain, loss or deduction which, under an accrual method of accounting, would be reportable at the time it changed its residence. No accrual is required or allowed for items of income, gain, loss or deduction derived from or connected with sources within Connecticut.

If the trust ceases to be a Connecticut resident trust, it must accrue any item of income, gain, loss or deduction which, under an accrual method of accounting, would be reportable at the time the residence was changed. This includes income or gain it elected to report on the installment basis.

Surety Bond in Lieu of Special Accruals

You may elect to defer the payment of Connecticut income tax on items of special accrual by filing a surety bond with the Department in an amount not less than the amount of the additional Connecticut income tax that would be payable if no surety bond or other security were filed. If you choose this option, you must file **Form CT-1041** for the taxable year when you changed your residence and include a separate statement showing the nature and amount of each item of accrual as of the date of change of residence, together with a computation of the additional Connecticut income tax which would be due if the election to file a surety bond had not been made. For further information on the requirements for a surety bond, contact the Department and request a copy of Conn. Agencies Regs. §12-717(c)(4)-1 and **Forms CT-12-717A**, *Connecticut Surety Bond Form Change of Resident Status - Special Accruals* and **CT-12-717B**, *Change of Resident Status - Special Accruals*.

TAXABLE YEAR AND METHOD OF ACCOUNTING

The taxable year and method of accounting of a trust or estate shall be the same as its taxable year and method of accounting for federal income tax purposes.

If the taxable year or method of accounting of a trust or estate is changed for federal income tax purposes, the taxable year or method of accounting shall be similarly changed for Connecticut income tax purposes. If a return for a period of less than 12 months is filed for federal income tax purposes, you must also file a short period return for Connecticut income tax purposes.

ORDER IN WHICH TO COMPLETE FORM CT-1041 AND SCHEDULES

The order in which to complete **Form CT-1041** and the schedules for resident and nonresident estates and full-year resident and nonresident trusts and part-year resident trusts is listed below.

1. Resident estate or trust with resident beneficiaries:

- Schedule A;
- Part 1 of Schedule B;
- Schedule C;
- The front of **Form CT-1041** excluding Line 3; **and**
- Parts 1 and 2 of Schedule I, as necessary.

2. Resident estate or full-year resident testamentary trust with any nonresident beneficiaries, or a full-year resident inter vivos trust with nonresident contingent beneficiaries but without nonresident noncontingent beneficiaries:

- Schedule A;
- Part 1 of Schedule B;
- Parts 3 and 2 of Schedule CT-1041FA;
- Schedule C;
- The front of **Form CT-1041** excluding Line 3; **and**
- Parts 1 and 2 of Schedule I, as necessary.

3. Full-year resident inter vivos trust with nonresident noncontingent beneficiaries:

- Schedule A;
- Parts 1 and 2 of Schedule B;
- Parts 3 and 2 of Schedule CT-1041FA;
- Schedule C;
- The front of **Form CT-1041** excluding Line 3; **and**
- Parts 1 and 2 of Schedule I, as necessary.

4. Nonresident estate, full-year nonresident trust, or part-year resident inter vivos trust without nonresident noncontingent beneficiaries:

- Schedule A;
- Part 1 of Schedule B;
- Parts 3, 2 and 1 of Schedule CT-1041FA;
- The front of **Form CT-1041** starting at Line 3; **and**
- Parts 1 and 2 of Schedule I, as necessary.

5. Part-year resident inter vivos trust with nonresident noncontingent beneficiaries:

- Schedule A;
- Parts 1 and 2 of Schedule B;
- Parts 3, 2 and 1 of Schedule CT-1041FA;
- The front of Form **CT-1041** starting at Line 3; and
- Parts 1 and 2 of Schedule I, as necessary.

Form CT-8801, *Credit For Prior Year's Connecticut Minimum Tax For Individuals, Trusts and Estates*, must be completed as necessary for all types of trusts and estates that expect a credit or credit carryforward of alternative minimum tax paid in a prior year.

WHEN SHOULD I FILE?

Form CT-1041 is due on or before April 15, 1999. If you file on a fiscal year basis, you must file on or before the fifteenth day of the fourth month after the end of the fiscal year. If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date. The return will be considered timely if the date shown by the US Post Office cancellation mark is on or before the due date of the return.

The 1998 **Form CT-1041** may also be used for a taxable year beginning in 1999 if:

1. The estate or trust has a taxable year of less than 12 months that begins and ends in 1999; and
2. The 1999 **Form CT-1041** is not available by the time the estate or trust is required to file its tax return. **However, the estate or trust must enter the beginning and ending dates of its taxable year on the 1998 Form CT-1041 and incorporate any tax law changes that are effective for taxable years beginning on or after January 1, 1999.**

An explanatory note must be attached to the face of the return if the return is for a short year beginning and ending in 1999.

WHERE TO FILE

Mail **Form CT-1041** to:

Department of Revenue Services
PO Box 2934
Hartford CT 06104-2934

HOW DO I FILE FOR AN EXTENSION?

Extension of Time to File

If the estate or trust cannot meet the filing deadline, the fiduciary must file **Form CT-1041 EXT**, *Application for Extension of Time to File Connecticut Income Tax Return for Trusts and Estates*, and pay the amount of tax the trust or estate expects to owe on or before the original due date

for filing the **Form CT-1041**. **Form CT-1041 EXT** is contained in this booklet. The filing of this form will automatically extend the due date for **six months** if a federal Application for Automatic Extension of Time (federal Form 2758 or Form 8736) has been filed. You are not required to attach a copy of the federal extension request to **Form CT-1041 EXT**.

Form CT-1041 EXT extends only the time to file **Form CT-1041**, it **does not** extend the time to pay the income tax. See *When Do Penalties and Interest Apply?* on Page 10.

Extension of Time to Pay the Tax

The fiduciary may be eligible for an extension of six months to pay the tax due if the fiduciary can show that it will cause undue hardship to pay the tax on the date it is due.

To be considered for such extension, the fiduciary must file **Form CT-1127**, *Application for Extension of Time for Payment of Income Tax*, on or before the due date of the original return. The fiduciary must attach **Form CT-1127** to the front of the timely-filed **Form CT-1041**, or the timely-filed **Form CT-1041 EXT**.

As evidence of the need for extension, the fiduciary must attach: (1) a statement of assets and liabilities; and (2) an itemized list of receipts and disbursements for the preceding three months. The fiduciary must also explain why he or she is unable to borrow the money to pay the tax.

If an extension of time to pay is granted and full payment of tax is made on or before the end of the extension period, the 10% (.10) penalty will be waived. Interest of 1% (.01) per month or fraction of a month will continue to accrue on the underpayment from the due date of the original return until the tax is paid in full. Interest charges cannot be waived.

HOW TO FILE AN AMENDED RETURN

If after filing the Connecticut income tax return for trusts and estates you discover an error was made, submit another **Form CT-1041** with the necessary corrections. Check off the "AMENDED RETURN" box on the front of the return. Enter the amount paid with the original return on Line 12.

An amended return claiming credit for, or a refund of, an overpayment must be filed within three years from the due date of the original return, or three years from the extended due date of the return, if an extension of time to file the return was granted by the Department of Revenue Services.

Contributions made to designated funds and overpayments applied to the next year's estimated income taxes on the original return are irrevocable and cannot be changed by amendment.

Changes to Your Federal Return

If your income is **changed or corrected** by the Internal Revenue Service or other competent authority, and the change or correction affects your Connecticut income tax liability (including your alternative minimum tax liability), you must file an amended **Form CT-1041**. File an amended **Form CT-1041** no later than 90 days after the final determination of your federal income tax liability.

If you **amend** your federal income tax return, and the amendment affects your Connecticut income tax liability (including your alternative minimum tax liability), you must file an amended **Form CT-1041**. File an amended **Form CT-1041** no later than 90 days after the date of filing your amended federal income tax return.

If the federal changes affect the distributable net income of the estate or trust, each beneficiary's share of any Connecticut fiduciary adjustment or Connecticut source income that is affected by the federal changes must be reported by the beneficiary on **Form CT-1040X**, *Connecticut Amended Income Tax Return*, or other appropriate amended return.

Changes to Another State's Return

If you claimed credit on **Form CT-1041**, *Connecticut Income Tax Return for Trusts and Estates*, or **Form CT-1041**, Schedule I, *Connecticut Alternative Minimum Tax Computation of Trust or Estate*, for income tax paid to another jurisdiction, and, as the result of your income tax return with that jurisdiction being **changed or corrected** by tax officials or other competent authority of that jurisdiction, the amount of tax that you are finally required to pay to that jurisdiction is different than the amount used to determine the credit, you must file an amended **Form CT-1041**. File an amended **Form CT-1041** no later than 90 days (30 days for taxable years beginning before January 1, 1998) after the final determination of such amount.

If you claimed credit on your Connecticut income tax return for trusts and estates or **Form CT-1041**, Schedule I, *Connecticut Alternative Minimum Tax Computation of Trusts or Estates*, for income tax paid to another jurisdiction, and, as a result of your filing an **amended** income tax return with that jurisdiction, the amount of tax that you are finally required to pay to that jurisdiction is different than the amount used to determine the credit, you must file an amended **Form CT-1041**. File an amended **Form CT-1041** no later than 90 days (30 days for taxable years beginning before January 1, 1998) after the date of filing your amended income tax return with the other jurisdiction.

SHOULD I MAKE ESTIMATED INCOME TAX PAYMENTS FOR 1999?

Estates and certain trusts are required to make estimated income tax payments for any taxable year ending two or more years after the date of the decedent's death. (For additional information on when certain trusts are required to make estimated income tax payments see Internal Revenue Code, §§671 through 679.)

A payment of estimated income tax is generally required if your Connecticut income tax (after tax credits) **minus** Connecticut tax withheld is **more than \$500**, and you expect your Connecticut income tax withheld to be less than your required annual payment.

Required Annual Payment

The required annual payment is the lesser of:

1. **90%** of the total income tax shown on your **1999** Connecticut income tax return; **or**
2. **100%** of the total income tax shown on your **1998** Connecticut income tax return, if you filed a 1998 income tax return that covered a full 12 month period.

IMPORTANT: You do **not** have to make estimated income tax payments if the trust or estate did not file a 1998 income tax return because you did not have any Connecticut income tax liability and you were the fiduciary of a resident trust or estate in 1998, or a nonresident trust or estate or a part-year resident trust with Connecticut source income in 1998.

Special Rules for Farmers and Fishermen

If the trust or estate is classified as a farmer or fisherman (as defined in the Internal Revenue Code §6654(i)(2)) who is required to make estimated income tax payments, you will be required to make only one payment. Your installment is due on or before January 15, 2000, for the 1999 taxable year. The required installment shall be the lesser of 66 2/3% of the Connecticut income tax shown on your 1999 return or 100% of the Connecticut income tax shown on your 1998 return.

A farmer or fisherman, as defined in Internal Revenue Code §6654(i)(2), who files a 1999 Connecticut income tax return on or before March 1, 2000, and pays in full the amount computed on the return as payable on or before that date, will not be charged interest for underpayment of estimated tax.

Farmers and fishermen who use these special rules **must** complete and attach **Form CT-2210**, *Underpayment of Estimated Tax by Individuals, Trusts and Estates*, to their

1999 Estimated Tax Due Dates

Due dates of installments and the amount of required payments for 1999 calendar year taxpayers are as follows:

April 15, 1999	25% of your required annual payment
June 15, 1999	25% of your required annual payment (A total of 50% of your required annual payment should be paid by this date.)
September 15, 1999	25% of your required annual payment (A total of 75% of your required annual payment should be paid by this date.)
January 15, 2000	25% of your required annual payment (A total of 100% of your required annual payment should be paid by this date.)
If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date. An estimate will be considered timely-filed if received or if the US Post Office cancellation mark is on or before the due date. Fiscal year filers should follow federal filing installment dates.	

Connecticut income tax return to avoid being billed for interest on the underpayment of estimated income tax. **Form CT-2210**, Part I, Box D must be checked as well as the box for **Form CT-2210** on the front of **Form CT-1041**.

For further information, see **IP 97(8.1)**, *Farmer's Guide to Sales and Use and Estimated Income Taxes*.

Annualized Income Installment Method

If the income of an estate or trust varies throughout the year, using the annualized installment method may enable an estate or trust to reduce or eliminate the amount of its estimated tax payment for one or more periods. If the annualized installment method is used, special rules apply for computing the estimated tax payments for an estate or trust. For further information, see **IP 93(6.5)**, *A Guide to Calculating Your Annualized Estimated Tax Installments and Worksheet CT-1040AES*.

Filing Form CT-1041ES

Use **Form CT-1041ES**, *Estimated Connecticut Income Tax for Trusts and Estates*, contained in this booklet, if you are required to make estimated payments.

Guidelines for Banking Institutions

Banking institutions that wish to file multiple estimated Connecticut income tax payments, see **IP 94(7.1)**, *A Guide For Filers Of Multiple Forms CT-1041ES*.

Interest for Underpayment of Estimated Tax

If the fiduciary did not pay enough tax through withholding and/or estimated payments by any installment due date, the fiduciary may be charged interest. This is true even if the fiduciary is due a refund on the income tax return. Interest is calculated separately for each installment. Therefore, the fiduciary may owe interest for an earlier installment, even if the fiduciary paid enough tax later to make up the underpayment. Interest at 1% (.01) per month or fraction thereof shall be added to the tax due until the **earlier of**: April 15, 1999, or the date when the underpayment is paid.

For taxable years commencing on or after January 1, 1996. If, on or before January 31, 1999, a return is filed for taxable year 1998 and payment of the total amount computed on the return as payable for the taxable year is made, there will be no interest for underpayment of the fourth installment due January 15, 1999. This does not apply to taxpayers paying estimated federal and Connecticut taxes as farmers or fishermen.

Filing Form CT-2210

If your 1998 Connecticut income tax (after tax credit) **minus** Connecticut tax withheld, is **more than \$500**, you can use **Form CT-2210**, *Underpayment of Estimated Tax by Individuals, Trusts and Estates*, to find out if you paid enough income tax throughout the year. This form will also help you calculate interest if you underpaid your estimated tax. **Form CT-2210** is available from the Department. However, this is a complex form and you may prefer to have the Department calculate the interest for you.

WHEN DO PENALTIES AND INTEREST APPLY?

Late Payment or Late Filing

In general, penalty and interest apply to any portion of the tax that is not paid on or before the original due date of the return. The penalty for late payment or underpayment of income tax is 10% (.10) of such amount due. Taxpayers who pay 90% (.90) or more of their total income tax due with their extension request by the original due date of the return and pay the remaining balance by the extended due date will avoid penalty for failure to pay the full amount due by the original due date. In the event that no tax is due, the Commissioner of Revenue Services **may** impose a \$50 penalty for the late filing of any return or report that is required by law to be filed. Interest of 1% (.01) per month or fraction of a month will continue to accrue on the underpayment until the tax is paid in full.

Failure to File

If you fail to file your return and the Commissioner of Revenue Services files a return on your behalf, the penalty for failure to file is 10% (.10) of the balance due or \$50, whichever is greater.

Failure to Report Federal Changes

If your income is changed or corrected by the Internal Revenue Service or other competent authority for any taxable year and if the federal change or correction affects your Connecticut income tax liability (including your alternative minimum tax liability), then you are required to report such change or correction no later than 90 days after the final determination of your federal income tax liability. The change or correction should be reported on **Form CT-1041**.

If you file an amended federal income tax return for any taxable year and if the amendment affects your Connecticut income tax liability (including your alternative minimum tax liability), then you are required to file an amended **Form CT-1041** no later than 90 days after the date of filing your amended federal income tax return. In either case, the penalty for failure to file an amended **Form CT-1041** within such time is \$50.

Failure to Report State Changes

If you claimed credit for income tax paid to another jurisdiction on **Form CT-1041** or **Form CT-1041**, Schedule I, *Alternative Minimum Tax Computation of Trusts or Estates*, and, as a result of your filing an amended income tax return with that jurisdiction, the amount of tax that you are finally required to pay to that jurisdiction is different than the amount used to determine the credit, you must file an amended **Form CT-1041**. You must file an amended **Form CT-1041** no later than 90 days (30 days for taxable years beginning before January 1, 1998) after the date you filed an amended income tax return with the other jurisdiction.

If you claimed credit on your income tax return **Form CT-1041**, Schedule I, and, as a result of your income tax return with that jurisdiction being changed or corrected by tax officials or other competent authority of that jurisdiction, the amount of tax that you are finally required to pay to that jurisdiction is different than the amount used to

determine the credit, you must file an amended **Form CT-1041** no later than 90 days (30 days for taxable years beginning before January 1, 1998) after the final determination of such amount. In either case, the penalty for failure to file an amended **Form CT-1041** within such time is \$50.

WAIVER OF PENALTY

The fiduciary may be entitled to a waiver of penalty if the failure to pay the tax was due to reasonable cause. Requests for a penalty waiver must be in writing and contain a clear and complete explanation. Be sure to include the name and Social Security Number or Federal Employer Identification Number of the estate or trust on all correspondence. Do not include penalty waiver requests with the tax return.

Mail separately to:

DRS Penalty Review Committee
PO Box 5089
Hartford CT 06102-5089

Interest cannot be waived. Before a penalty waiver can be granted, the taxpayer must pay **all tax and interest due**.

COPIES OF RETURNS

You should keep copies of tax returns you have filed and the tax return package as part of your records. This information may be needed in preparing future returns or in amending filed returns.

You may request a copy of a previously filed Connecticut tax return from the Department by completing **LGL-002, Request for Disclosure of Tax Return or Tax Return Information**. It generally takes three weeks to fill such requests.

HOW LONG SHOULD RECORDS BE KEPT?

Keep a copy of your tax return, worksheets you used, and records of all items appearing on it until the statute of limitations runs out for that return. Usually, this is three years from the date the return was due or filed.

INSTRUCTIONS FOR FORM CT-1041

FILING YEAR

All information on **Form CT-1041** should be for the calendar year January 1 through December 31, 1998, or any other fiscal year beginning in 1998. If filing for such a fiscal year or short taxable year, enter the month and day the taxable year began, and the month, day and year that it ended, at the top of the front page.

NAME AND ADDRESS

Enter in the spaces at the top of the return the name of the estate or trust and the name and address of the fiduciary. Also enter the Federal Employer Identification Number of the estate or trust in the space provided to the right of the address box. If it is necessary to file without a Federal Employer Identification Number, notify DRS once the number has been obtained. If an estate, also enter the decedent's Social Security Number.

IMPORTANT: Enter name of estate or trust and Federal Employer Identification Number on all applicable schedules in the space provided.

TYPE OF RETURN

Final return

Check this box if this is a final return because the estate or trust has been terminated.

Amended return

Check this box if this is an amended return.

RESIDENCY STATUS

Enter the date the estate or trust was created and the date the estate or trust was terminated (if applicable) in the space provided.

Check only one applicable box to identify the resident status of the trust or estate.

If a trust was revocable when property was transferred to the trust but subsequently has become irrevocable, and the residency status of the grantor (whether as a resident or nonresident individual) during the taxable year that the trust became irrevocable differs from the residency status of the grantor during the taxable year that property was transferred to the trust, then the trust would be a *part-year resident trust*.

TYPE OF ENTITY

Check the applicable box to identify the type of estate or trust. If a trust was created by the will of a decedent, check the additional box.

ROUNDING OFF TO WHOLE DOLLARS

Generally, you may round off cents to the nearest whole dollar on your return and schedules. However, if you need to add two or more amounts to compute the amount to enter on a line, include cents when adding and round off only the total. Round down to the next lowest dollar all amounts that include 1 through 49 cents. Round up to the next highest dollar all amounts that include 50 through 99 cents.

Example: \$1.29 becomes \$1.00 and \$3.50 becomes \$4.00. If you elect to round off, do so for all amounts.

LINE BY LINE INSTRUCTIONS

Before you begin, see page 7 for the order in which to complete these forms.

Line 1 - Connecticut Taxable Income of Fiduciary (Resident Estate or Full-Year Resident Trust Only)

Enter the amount from **Form CT-1041**, Schedule C, Line 17.

Line 2 - Resident Estate or Full-Year Resident Trust Only

Multiply Line 1 by 4.5% (.045) and enter the result on Line 2.

Line 3 - Allocated Connecticut Income Tax (Nonresident Estates or Trusts and Part-Year Resident Trusts Only)

Enter the amount from Schedule CT-1041FA, Part 1, Line 14.

Line 4 - Credit for Income Tax Paid to Other Jurisdictions (Resident Estates and Full or Part-Year Resident Trusts Only)

Enter the amount from Line 8 of worksheet on Page 16. You must attach a copy of all income tax returns filed with other jurisdictions to the back of your **Form CT-1041**.

Line 5

Resident estates and trusts: Subtract Line 4 from Line 2. Part-year resident trusts: Subtract Line 4 from Line 3. If the result is less than zero, enter zero.

Line 6 - Connecticut Alternative Minimum Tax

If you were required to pay federal alternative minimum tax for 1998, you must file **Form CT-1041**, Schedule I. Enter the amount from **Form CT-1041**, Schedule I,

Part 1, Line 25. Schedule I may be obtained by contacting the DRS Forms Unit. See *Where Can I Get Additional Forms and Publications?* on Page 5.

Line 7

Add Line 5 and Line 6, and enter the total on Line 7.

Line 8 - Adjusted Net Connecticut Minimum Tax Credit

Enter the amount from Line 11 of **Form CT-8801, Credit For Prior Year's Connecticut Minimum Tax for Individuals, Trusts and Estates**. If you did not pay Connecticut alternative minimum tax in a prior year or you entered an amount on Line 6 of this form, enter 0.

Line 9 - Connecticut Income Tax

Subtract Line 8 from Line 7. Enter the total on Line 9.

Line 10 - Connecticut Tax Withheld

This amount must total the income taxes withheld for the State of Connecticut as indicated on your copies of Forms W-2, W-2G and certain 1099s. Only enter income tax withheld for the State of Connecticut. Be sure you attach the “**state copies**” of Forms W-2 to the front of your return or your claim of amounts withheld will not be allowed.

Line 11 - Estimated Tax Paid

Enter on Line 11 the total of all 1998 estimated income tax payments and any 1997 income tax overpayment credited to 1998. Be sure to include any 1998 estimated income tax payments made in 1999.

Line 12 - Payments Made with Extension Request

If you filed **Form CT-1041 EXT, Application for Extension of Time to File Connecticut Income Tax Return for Trusts and Estates**, for 1998, enter on Line 12 the amount you paid with **Form CT-1041 EXT**.

If this is an amended return, also include the amount paid with the original return here.

Line 13 - Total Payments

Add Lines 10, 11 and 12. Enter the total on Line 13.

Line 14 - Amount Overpaid

If Line 13 is greater than Line 9, subtract Line 9 from Line 13 and enter the result on Line 14. This is the amount of your overpayment. To properly allocate your overpayment, go to Lines 15, 17 and 18. If Line 13 is less than Line 9, go to Line 19.

Line 15 - Amount of Line 14 to be Applied to Your 1999 Estimated Tax

Enter the amount of your 1998 overpayment that you wish to apply to your 1999 Connecticut estimated income tax. It will be treated as an estimate filed on April 15, 1999, if your return is filed on time or if you filed a timely request for extension and your return is filed within the extension period. For fiscal year filers it will be treated as an estimate filed on the fifteenth day of the fourth month of the 1999 taxable year.

IMPORTANT: Your decision to apply this amount to 1999 estimated income tax is irrevocable.

Line 16 - Balance of Overpayment

Subtract Line 15 from Line 14 and enter the result on Line 16.

Line 17 - Amount of Line 16 You Want to Contribute

You may contribute all or a portion of your refund to one or more of five designated funds described on Page 14. Check the appropriate box or write in a whole dollar amount for each fund to which you wish to contribute. Add your contributions and enter the total amount on Line 17. Your decision to make this contribution is irrevocable.

IMPORTANT: You may only choose a contribution amount if you are entitled to a refund. Your contribution is limited to your refund amount. You may contribute directly to these funds by mailing a check to the addresses shown.

Line 18 - Amount of Your Refund

Subtract Line 17 from Line 16. Enter the result on Line 18. This is the amount of your refund.

Line 19 - Amount of Tax You Owe

If Line 9 is greater than Line 13, subtract Line 13 from Line 9 and enter the result on Line 19.

Line 20 - Penalty for Late Payment or Filing

Late Payment Penalty: The penalty for late payment or underpayment of income tax is 10% (.10) of such amount due. **Late Filing Penalty:** If no tax is due, the Commissioner of Revenue Services may impose a \$50 penalty for the late filing of any return or report that is required by law to be filed.

Line 21 - Interest for Late Payment or Filing

If you fail to pay the tax when due, interest will be charged at the rate of 1% (.01) per month or fraction thereof from the due date until payment is made.

Line 22 - Interest on Underpayments of Estimated Tax

If Line 9 minus Line 10 is more than \$500, you may owe interest on estimated income tax that you either underpaid or paid late. **Form CT-2210, *Underpayment of Estimated Income Tax by Individuals, Trusts and Estates***, can help you find out if you did underestimate and will help you calculate the interest.

If you prefer to have the Department calculate the interest, do not file **Form CT-2210**, leave Line 22 blank and we will bill you. Interest on underpayment of estimated income tax stops accruing on the **earlier** of the day you pay your tax or April 15, 1999.

Line 23 - Balance Due

Add Lines 19 through 22 and enter the result on Line 23. Pay the amount in full with the return. Make your check or money order payable to **“Commissioner of Revenue Services.”** Write the Federal Employer Identification Number and **“1998 Form CT-1041”** on the check or money order in the lower left corner. Do not send cash.

Sign Here

The fiduciary or an officer representing the fiduciary must sign and date **Form CT-1041** on the back of the return.

Paid Preparer Signature

Anyone you pay to prepare your return must sign and date it. A preparer who signs your return must sign it by hand in the space provided. The preparer's Federal Employer Identification Number and firm name must also be entered in the space provided.

Mailing Your Return

Retain a copy of this return for your records. Attach to this return copies of any required schedules and forms. Do **not** attach copies of your federal income tax return or federal schedules. Use the envelope provided when mailing the return.

WHAT WILL YOUR CONTRIBUTION BE USED FOR?

AIDS RESEARCH EDUCATION FUND	ORGAN TRANSPLANT FUND	ENDANGERED SPECIES, NATURAL AREA PRESERVES, AND WATCHABLE WILDLIFE FUND	BREAST CANCER RESEARCH AND EDUCATION FUND	SAFETY NET SERVICES FUND
This fund was created to assist research, education and community service programs related to Acquired Immune Deficiency Syndrome (AIDS). The fund is administered by the Connecticut Department of Public Health. To contribute directly send to: AIDS Programs, Dept. of Public Health MS#11APV PO Box 340308 Hartford CT 06134-0308 Make check payable to: “Treasurer, State of Connecticut/AIDS Fund”	This fund was created to assist Connecticut residents in paying all or part of any costs associated with a medically required organ transplant. The fund is administered by the Connecticut Department of Social Services. To contribute directly send to: Department of Social Services Accounts Receivable 25 Sigourney Street Hartford CT 06106-5003 Make check payable to: “Commissioner of Social Services/Organ Transplant Fund”	This fund was established to help preserve, protect and manage Connecticut's endangered plants and animals, wildlife and their habitats. The fund is administered by the Connecticut Department of Environmental Protection. To contribute directly send to: Department of Environmental Protection-Bureau of Administration Financial Management 79 Elm Street Hartford CT 06106-5127 Make check payable to: “DEP-Endangered Species/Wildlife Fund”	This fund was created to assist research, education and community service programs related to Breast Cancer. The fund is administered by the Connecticut Department of Public Health. To contribute directly send to: Connecticut Department of Public Health Breast and Cervical Cancer Early Detection Program MS#11HLS PO Box 340308 Hartford CT 06134-0308 Make check payable to: “Treasurer, State of Connecticut/Breast Cancer Fund”	This fund was created to protect the children of families whose public assistance benefits ended due to a time limit. The fund is administered by the Connecticut Department of Social Services. To contribute directly send to: Department of Social Services Accounts Receivable 25 Sigourney Street Hartford CT 06106-5003 Make check payable to: “Commissioner of Social Services/Safety Net Fund”

CREDIT FOR INCOME TAXES PAID TO OTHER JURISDICTIONS

This worksheet is used by resident estates and full-year resident trusts and part-year resident trusts to claim a credit against Connecticut income tax liability for income taxes paid for the taxable year to another state or a political subdivision thereof, or to the District of Columbia. Credit may only be claimed if the income on which taxes were paid was derived from or connected with sources within the qualifying jurisdiction. For part-year resident trusts, the credit is allowed only for that portion of the taxable year in which a taxpayer was a Connecticut resident trust.

No credit shall be allowed for any of the following:

- Income tax paid to a foreign country;
- Income tax paid to another jurisdiction, if the taxpayer claimed on that other jurisdiction's income tax return credit for income taxes paid to Connecticut;
- Income tax paid to a Canadian province, including a political subdivision of a Canadian province.

The allowed credit must be separately computed for each jurisdiction. Use separate columns for each jurisdiction for which you are claiming a credit. **You must attach a copy of all income tax returns filed with other jurisdictions to the back of your Form CT-1041 or the credit will be disallowed.**

Use the two-column worksheet on Page 16 to compute the credit for two jurisdictions. If you need more than two columns, you should create an identical worksheet.

If you are claiming credit for income taxes paid to another state **and** to its political subdivision (for example, New York State and New York City), follow these rules to determine your credit:

- A. If the **same amount** of income is taxed by both the city and state, use only **one** column of the worksheet to calculate your credit:
1. Enter that amount of income in only **one** column on the worksheet;
 2. Combine the amounts of tax paid to the city and the state and enter on Line 6 of that column.
- B. If the **amounts** of income taxed by both the city and state **are not equal**:
1. Use two columns on the worksheet;
 2. Include only the same income taxed by both jurisdictions in the first column;
 3. Include only the excess income taxed by only one of the jurisdictions in the next column.

The credit claimed shall not exceed the amount of tax due to Connecticut on that portion of income taxed in another jurisdiction.

WORKSHEET INSTRUCTIONS

Line 1 - Connecticut Taxable Income of Fiduciary

Resident Trust or Estate

Add to the Connecticut taxable income of the fiduciary from **Form CT-1041**, Line 1, any net loss derived from or connected with sources in other jurisdictions where you were subject to income taxation (whether or not income tax was actually paid to the jurisdictions). The modified amount is entered on Line 1 of the worksheet.

Part-Year Resident Trust

Add to Schedule CT-1041FA, *Fiduciary Allocation*, Part 1, Line 11, any net loss during the residency portion of the year that was derived from or connected with sources in other jurisdictions where you were subject to income taxation whether or not income tax was actually paid to the jurisdictions.

Line 2 - Non-Connecticut Income

Resident Trust or Estate

Enter on Line 2 the total of non-Connecticut income which is included on Line 1 and is reported on another jurisdiction's income tax return.

Part-Year Resident Trust

Enter on Line 2 the total of non-Connecticut income for the period of Connecticut residency which is included on Line 1 and is reported on another jurisdiction's income tax return.

Line 3

Resident and Part-Year Resident Trust

Divide Line 2 by Line 1. The result cannot exceed 1.00. (Round to four decimal places.)

Line 4 - Connecticut Income Tax Liability

Resident Trust or Estate

Enter on Line 4 your Connecticut tax liability as shown on **Form CT-1041**, Line 2.

Part-Year Resident Trust

Enter on Line 4 your Connecticut income tax liability as shown on Schedule CT-1041FA, *Fiduciary Allocation*, Line 14. For purposes of determining the Connecticut income tax liability of a part-year resident trust, the tax applies to the "income derived from or connected with sources within this state." The income derived from or connected with sources within this state for a part-year resident trust is the sum of (1) the trust's Connecticut taxable income during the residency portion of the taxable year and (2) the trust's income derived from or connected with sources within Connecticut during the nonresidency portion of the taxable year.

Line 5

Multiply Line 3 by Line 4. Enter the result on Line 5.

Line 6 - Income Tax Paid to Other Jurisdictions

Resident Trust or Estate

Enter on Line 6 the total amount of income tax paid to another jurisdiction for the taxable year.

Part-Year Resident Trust

Enter on Line 6 the amount of income tax paid to another jurisdiction for the period of Connecticut residency only.

Line 7

Enter on Line 7 the lesser of Line 5 or Line 6.

IMPORTANT: You must attach a copy of your return filed with the other jurisdiction(s) or the credit will be disallowed.

Line 8 - Total Credit for Income Taxes Paid to Other Jurisdictions

Add the amounts from Lines 7A, 7B, and 7 of any additional worksheets. Enter the total on Line 8.

WORKSHEET FOR CREDIT FOR INCOME TAXES PAID TO OTHER JURISDICTIONS

Resident estates and full or part-year resident trusts only.

	COLUMN A	COLUMN B
1. Connecticut taxable income of fiduciary 1.		
Enter name of each jurisdiction		
2. Non-Connecticut income included on Line 1 above 2.		
3. Divide Line 2 by Line 1 (may not exceed 1.0000) 3.	.	.
4. Connecticut tax liability 4.		
5. Multiply Line 3 by Line 4 5.		
6. Income tax paid to another jurisdiction 6.		
7. Enter the lesser of Line 5 or Line 6 7.		
8. Total Credit (Add the amount on Line 7, for each column) 8.		

CONNECTICUT FIDUCIARY ADJUSTMENT

This schedule is used for computing the Connecticut fiduciary adjustment, which is then allocated among the estate or trust and its beneficiaries in Schedule B, Part 1. The additions and subtractions enumerated in Schedule A of **Form CT-1041**, which relate to items of income, gain, loss or deduction of the estate or trust, constitute the fiduciary adjustment.

Amount paid or set aside for charitable purposes - When calculating the fiduciary adjustment as determined on **Form CT-1041**, Schedule A, do not include the modifications with respect to any amount paid or set aside for a charitable purpose during the taxable year. (See instructions for federal Form 1041-A, *U.S. Information Return Trust Accumulation of Charitable Amounts*, and federal Form 5227, *Split-Interest Trust Information Return* for information on charitable deductions.)

Partner of a partnership - If the estate or trust has income as a partner of a partnership, any of the additions or subtractions that apply to such income should be included in Schedule A of **Form CT-1041**. The estate's or trust's share of such partnership items may be obtained from **Form CT-1065**, *Connecticut Partnership Income Tax Return*.

Beneficiary of another estate or trust - If the estate or trust is a beneficiary of another estate or trust, the share of the fiduciary adjustment of the other estate or trust to be included in Schedule A of **Form CT-1041** may generally be obtained from its fiduciary.

The estate or trust must make the additions and subtractions for its taxable year within which the taxable year of any S corporation, partnership or estate or trust of which it is a shareholder, partner or beneficiary, respectively, ends.

Entering Additions and Subtractions

- To the extent deductible in determining federal taxable income prior to the deductions relating to distributions to beneficiaries, the expenses relating to the amounts that are entered on Lines 1 through 5, inclusive, of Schedule A are to be entered on Line 13 (and are not to be netted against the amounts that are entered on Lines 1 through 5, inclusive).
- To the extent deductible in determining federal taxable income prior to the deductions relating to distributions to beneficiaries, the expenses relating to the amounts that are entered on Lines 8 through 12, inclusive, of Schedule A are to be entered on Line 6 (and are not to be netted against the amounts that are entered on Lines 8 through 12, inclusive).

Example: to the extent deductible in determining federal taxable income prior to the deductions relating to distributions to beneficiaries, interest expenses on indebtedness incurred to purchase:

1. State and local government bonds, the interest from which is subject to Connecticut income tax, but exempt from federal income tax, is entered on Line 13 (and not netted against the amount that is entered on Line 1).
2. US government bonds, the interest from which is subject to federal income tax, but exempt from Connecticut income tax, is entered on Line 6 (and not netted against the amount that is entered on Line 8).

INSTRUCTIONS FOR SCHEDULE A

See **PS 92(3.1)**, *Connecticut Income Tax on Bonds or Obligations Issued by the United States Government, by State Governments or Municipalities*, to determine if you are required to make an adjustment.

ADDITIONS

Line 1 - Interest on State and Local Government Obligations Other Than Connecticut

Enter the total amount of interest income derived from state and municipal government obligations, other than obligations of the State of Connecticut or its municipalities, which is not taxed for federal income tax purposes. Do not enter interest income derived from government obligations of Puerto Rico, Guam, American Samoa, and US Virgin Islands.

Line 2 - Exempt-Interest Dividends Received from a Mutual Fund Derived from State or Municipal Government Obligations Other Than Connecticut

Enter the total amount of exempt-interest dividends received from a mutual fund that are derived from state and municipal government obligations, other than obligations of the State of Connecticut or its municipalities. If the exempt-interest dividends are derived from obligations of Connecticut or other states, enter only the percentage derived from non-Connecticut obligations. Do not enter exempt-interest dividends derived from government obligations of Puerto Rico, Guam, American Samoa, and US Virgin Islands.

Example: A fund invests in obligations of many states, including Connecticut. Assuming that 20% of the distribution is from Connecticut obligations, the remaining 80% would be added back on this line.

Line 3 - Shareholder's Pro Rata Share of S Corporation Nonseparately Computed Loss

The Connecticut corporation business tax on S corporations is being phased out over a five-year period, beginning with the 1997 taxable year. This affects the modification to federal taxable income.

Where S Corporation is a Calendar Year Filer: If the estate or trust is a shareholder of an S corporation that is subject to the Connecticut corporation business tax, and the S corporation's taxable year for federal income tax purposes is the *calendar year*, multiply 75% of its pro rata share of the S corporation's nonseparately computed loss by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 3. (In computing your **estimated Connecticut taxable income for 1999**, follow the preceding instructions, but substitute 55% for 75%.)

Where S Corporation is Other Than a Calendar Year Filer: If the estate or trust is a shareholder of an S corporation that is subject to the Connecticut corporation business tax and the S corporation's taxable year for federal income tax purposes is *other than the calendar year*, multiply 90% of its pro rata share of the S corporation's nonseparately computed loss by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 3. (In computing your **estimated Connecticut taxable income for 1999**, follow the preceding instructions, but substitute 75% for 90%.)

The estate's or trust's pro rata share of the S corporation's nonseparately computed loss will be reported on federal Form 1120S, Schedule K-1, furnished to you by the S corporation. The S corporation's Connecticut corporation business tax apportionment percentage will be furnished to you by the S corporation.

IMPORTANT: If any federal limitations apply, add back only 75% of the net loss (90% of the net loss if the S corporation's taxable year is *other than the calendar year*) included on federal Schedule E, multiplied by the S corporation's Connecticut corporation business tax apportionment percentage.

Line 4 - Loss on Sale of Connecticut State and Local Government Bonds

Enter the total amount of losses from the sale or exchange of notes, bonds or other obligations of the State of Connecticut or its municipalities.

Line 5 - Connecticut Income Tax Payments Deducted in Determining Federal Taxable Income

Add back any Connecticut income tax paid or accrued to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries.

Line 6 - Other

Use Line 6 to add back any:

1. Expenses paid or incurred for the production (including management, conservation, and maintenance of property held for the production) or collection of income exempt from Connecticut income tax, to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries.
2. Amortizable bond premium on bonds producing interest income exempt from Connecticut income tax, to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries.
3. Interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States which federal law exempts from federal income tax but does not exempt from state income taxes.
4. Interest expenses on indebtedness incurred or continued to purchase or carry obligations or securities, the income from which is exempt from Connecticut income tax, to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries.

Line 7 - Total Additions

Add Lines 1 through 6. Enter the total on Line 7.

SUBTRACTIONS

Line 8 - Interest on United States Government Obligations

Enter the total of any interest income (to the extent includable in federal taxable income) derived from US government obligations, which federal law prohibits states from taxing. (For example: All US government bonds such as Savings Bonds Series EE and Series HH, US Treasury bills and notes.)

Do not enter the amount of interest you earned on Federal National Mortgage Association (Fannie Mae) Bonds, Government National Mortgage Association (Ginnie Mae) Bonds and Federal Home Loan Mortgage Corporation (Freddie Mac) securities. Federal law does not prohibit

states from taxing interest income derived from these obligations and this interest income is taxable for Connecticut income tax purposes. Do not enter the amount of interest paid to you on any federal income tax refund.

Line 9 - Dividends from Certain Mutual Funds Consisting of United States Government Obligations

Enter the total amount of exempt dividends received from a qualifying mutual fund that are derived from US government obligations. A mutual fund is a qualifying fund if, **at the close of each quarter of its taxable year**, at least 50% of the value of its assets consists of US Government obligations. The percentage of dividends that are exempt dividends should be reported to you by the mutual fund. (See Line 8, on this Page.)

Line 10 - Shareholder's Pro Rata Share of S Corporation Nonseparately Computed Income

The Connecticut corporation business tax on S corporations is being phased out over a five-year period, beginning with the 1997 taxable year. This affects the modification to federal taxable income.

Where S Corporation is a Calendar Year Filer: If the estate or trust is a shareholder of an S corporation that is subject to the Connecticut corporation business tax, and the S corporation's taxable year for federal income tax purposes is the *calendar year*, multiply 75% of its pro rata share of the S corporation's nonseparately computed income by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 10. (In computing your **estimated Connecticut taxable income for 1999**, follow the preceding instructions, but substitute 55% for 75%.)

Where S Corporation is Other Than a Calendar Year Filer: If the estate or trust is a shareholder of an S corporation that is subject to the Connecticut corporation business tax and the S corporation's taxable year for federal income tax purposes is *other than the calendar year*, multiply 90% of its pro rata share of the S corporation's nonseparately computed income by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 10. (In computing your **estimated Connecticut taxable income for 1999**, follow the preceding instructions, but substitute 75% for 90%.)

The estate's or trust's pro rata share of the S corporation's nonseparately computed income will be reported on federal Form 1120S, Schedule K-1 furnished to you by the

S corporation. The S corporation's Connecticut corporation business tax apportionment percentage will be furnished to you by the S corporation.

IMPORTANT: If you have any deductible losses from a prior year or other adjustments, subtract only 75% of the net income (90% of the net income if the S corporation's taxable year is *other than the calendar year*) included on federal Schedule E, multiplied by the S corporation's Connecticut corporation business tax apportionment percentage.

Line 11 - Gain on Sale of Connecticut State and Local Government Bonds

Enter the total amount of all gains from the sale or exchange of notes, bonds or other obligations of the State of Connecticut or its municipalities used in determining gain (loss) for federal income tax purposes.

Line 12 - Refunds of Connecticut Income Tax

Enter the amount of taxable refunds of Connecticut income tax reported on Line 8 of your federal Form 1041.

Line 13 - Other

Use Line 13 to report any of the following modifications:

1. To subtract any interest paid on indebtedness incurred to acquire investments that provide income taxable in Connecticut but not taxable for federal purposes, to the extent not deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries.
2. To subtract expenses paid or incurred for the production (including management, conservation, and maintenance of property held for production) or collection of income taxable in Connecticut but exempt from federal income tax, to the extent not deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries.
3. To subtract any amortizable bond premium on bonds that provide interest income taxable in Connecticut but exempt from federal income tax, to the extent not deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries.

Do **not** use Line 13 to subtract income subject to tax in another jurisdiction. See worksheet for **Form CT-1041**, Line 4.

Line 14 - Total Subtractions

Add Lines 8 through 13. Enter the total on Line 14.

Line 15 - Connecticut Fiduciary Adjustment

Subtract Line 14 from Line 7. Enter the result on Line 15 and as a total on **Form CT-1041**, Schedule B, Part 1, Column 5, Line f.

INSTRUCTIONS FOR SCHEDULE B

If you have a Connecticut fiduciary adjustment, complete Schedule B, Part 1 to calculate the fiduciary's and each beneficiary's share of the Connecticut fiduciary adjustment.

Schedule B, Part 2 should only be completed by full-year resident or part-year resident inter vivos trusts with any nonresident noncontingent beneficiaries to calculate the percentage of resident noncontingent beneficiaries. The status of the beneficiaries is determined as of year end.

Part 1 - Shares of Connecticut Fiduciary Adjustment

The purpose of Part 1 is to show the distribution of the Connecticut fiduciary adjustment among the beneficiaries and the fiduciary of the estate or trust. The shares of the beneficiaries and of the fiduciary in the Connecticut fiduciary adjustment, **Form CT-1041**, Schedule A, Line 15 are in proportion to their respective shares of federal distributable net income of the estate or trust.

Report on Part 1 the names and addresses of all beneficiaries, both resident and nonresident, to whom income is distributable, whether or not the income is taxable to the nonresident beneficiaries. **Complete this section even if there is no distribution to the beneficiaries.**

Columns 1 and 2

Enter in Columns 1 and 2 the name, address and identifying number of each beneficiary of the estate or trust. If the mailing address differs from the home address, give both. If a beneficiary is a nonresident, check the appropriate box to the right of his or her name. If there are more than four beneficiaries, attach a schedule identical to Part 1 for the additional beneficiaries.

Column 3

Enter the respective share of federal distributable net income of each beneficiary and of the fiduciary on the appropriate lines of Column 3. Entries must be made for all beneficiaries, both resident and nonresident.

If the distributable net income of a trust or estate for the taxable year is zero or less than zero, the share of each beneficiary in the Connecticut fiduciary adjustment is in proportion to such beneficiary's share of the income of the trust or estate for the taxable year, and any other amounts which are properly paid or credited or required to be distributed during the taxable year. Any balance of the fiduciary adjustment not allocable to any beneficiary is allocated to the trust or estate.

Column 4

Determine the percentage interest of each beneficiary and of the fiduciary in federal distributable net income of the estate or trust, based upon amounts in Column 3, and enter that percentage on the appropriate line of Column 4.

Column 5

Enter the amount of the Connecticut fiduciary adjustment (from **Form CT-1041**, Schedule A, Line 15) as the total of Column 5, Line f. The share of each beneficiary and of the fiduciary in the total amount is determined by multiplying the total fiduciary adjustment by the Column 4 percentage.

If the estate or trust has no federal distributable net income, the share of each beneficiary in the fiduciary adjustment must be in proportion to his or her share of the estate or trust income for the taxable year, under local law or the governing instrument, which is required to be distributed currently and any amounts of such income distributed in such year. Any balance of the fiduciary adjustment not allocable to beneficiaries must be allocated to the estate or trust. If the shares in the Connecticut fiduciary adjustment are apportioned in accordance with this paragraph, show the apportionment in a schedule attached to the return.

IMPORTANT: The fiduciary must provide each beneficiary with a schedule of modifications for inclusion on his or her Schedule 1 of **Form CT-1040** or **Form CT-1040 NR/PY**, whichever applies.

Part 2 - Percentage of Resident Noncontingent Beneficiaries

Complete Part 2 to calculate the resident noncontingent beneficiary percentage of a full-year resident or part-year resident inter vivos trust with nonresident noncontingent beneficiaries. These trusts are taxed on income derived from or connected with sources within Connecticut and all other income earned during the period of residency multiplied by the resident noncontingent beneficiary percentage. The percentage is a fraction, the numerator of which is the total number of resident noncontingent beneficiaries, and the denominator of which is the sum of both resident noncontingent and nonresident noncontingent beneficiaries. An example follows the line instructions. (For an explanation of inter vivos trust and noncontingent beneficiary see *Definitions* on Page 4.)

Line 1

Enter the number, if any, of resident noncontingent beneficiaries on Line 1.

Line 2

Enter the number of nonresident noncontingent beneficiaries on Line 2.

Line 3

Add Lines 1 and 2 and enter the result on Line 3.

Line 4

Divide Line 1 by Line 3 and enter the result as a decimal on Line 4. (Round to four decimal places.)

If the trust is a full-year resident inter vivos trust, enter this decimal on **Form CT-1041**, Schedule C, Line 14.

If the trust is a part-year resident inter vivos trust, enter this decimal on **Form CT-1041**, Schedule CT-1041FA, *Fiduciary Allocation*, Part 1, Line 7.

Example: Mr. Jones, a Connecticut resident, established an irrevocable trust in 1989 for the benefit of his three grandchildren, beneficiaries A, B and C. Since the trust consists of property transferred from a Connecticut resident, the trust is considered a *resident trust*. Because the trust was not created by the will of the decedent, the trust is an *inter vivos trust*. The trust agreement permits the trustee to distribute income or corpus (or both) to all three beneficiaries during the year. This makes all three beneficiaries *noncontingent beneficiaries*. Beneficiaries A and B are Connecticut residents but beneficiary C is a Vermont resident. Since there are one or more nonresident noncontingent beneficiaries, the fiduciary of this trust must complete **Form CT-1041**, Schedule B, Part 2 as follows:

1. Indicate the number, if any, of resident noncontingent beneficiaries.	2
2. Indicate the number of nonresident noncontingent beneficiaries.	1
3. Add Lines 1 and 2.	3
4. Divide Line 1 by Line 3 and enter the percentage as a decimal.	0.6667

The decimal on Line 4 (rounded to four decimal places) will be carried forward and entered on **Form CT-1041**, Schedule C, Line 14.

If the trust in the example above were a part-year resident trust, the amount on Line 4 would instead be entered on **Form CT-1041**, Schedule CT-1041FA, Part 1, Line 7.

INSTRUCTIONS FOR SCHEDULE C

IMPORTANT: Verify line references from federal Form 1041. See note on cover.

This schedule must be completed by **all** resident estates or full-year resident trusts to calculate Connecticut taxable income.

Lines 1, 2 and 3

Each **resident estate or full-year resident trust** must select one of the applicable boxes pertaining to the status of its beneficiaries. Inter vivos trusts with nonresident noncontingent beneficiaries calculate Connecticut taxable income differently than other trusts. (For further information see *Connecticut Taxable Income for Certain Inter Vivos Trusts* on Page 6.)

Check Box 1 if completing for a resident estate or trust without any nonresident beneficiaries. Proceed to Line 4 of the instructions (skip Lines 9 through 16).

Check Box 2 if completing for a resident estate or a resident testamentary trust with one or more nonresident beneficiaries or an inter vivos trust with nonresident contingent beneficiaries but without any nonresident noncontingent beneficiaries.

- Complete Schedule CT-1041FA, Parts 3 and 2, before proceeding to Line 4 of the instructions (skip Lines 9 through 16).

Check Box 3 if completing for a resident inter vivos trust with one or more nonresident noncontingent beneficiaries.

- Complete Schedule CT-1041FA, Parts 3 and 2, before proceeding to Line 4 of the instructions. (Be sure to complete Lines 9 through 17.)

Line 4 - Federal Taxable Income of Fiduciary

Enter on Line 4 the amount of federal taxable income of the fiduciary as reported on federal Form 1041, Line 22.

Line 5 - No entry required

Line 6

Add Line 4 and Line 5 and enter the result on Line 6.

Line 7 - Fiduciary's Share of Connecticut Fiduciary Adjustment

Enter on Line 7, the fiduciary's share of the Connecticut fiduciary adjustment from Schedule B, Part 1, Column 5, Line e. This may be a positive or negative number.

Line 8 - Gross Taxable Income of Fiduciary as Modified

Combine Line 6 and Line 7 and enter the result on Line 8.

Lines 9 through 17 are completed by full-year resident inter vivos trusts with one or more nonresident noncontingent beneficiaries - all others go to line 17 of these instructions.

Line 9

Enter the fiduciary's share of income derived from or connected with sources within Connecticut from Schedule CT-1041FA, Part 2, Column 3, Line e.

Line 10 - No entry required

Line 11

Enter on Line 11a, the amount from Schedule CT-1041FA, *Fiduciary Allocation*, Part 3, Column b, Line 4. Enter on Line 11b, the amount from Schedule CT-1041FA, *Fiduciary Allocation*, Part 3, Column b, Line 18. Subtract Line 11b from Line 11a and enter the result on Line 11c.

Line 12 - Income from Connecticut Sources of Fiduciary as Modified

Add Lines 9, 10 and 11c and enter the result on Line 12.

Line 13 - Connecticut Taxable Income of Fiduciary from Non-Connecticut Sources as Modified

Subtract Line 12 from Line 8 and enter the result on Line 13.

Line 14 - Percentage of Resident Noncontingent Beneficiaries

Enter on Line 14 the decimal, rounded to four places, from **Form CT-1041**, Schedule B, Part 2, Line 4.

Line 15 - Connecticut Taxable Portion of Non-Connecticut Source Income of Fiduciary

Multiply Line 13 by Line 14 and enter the result on Line 15.

Line 16 - Connecticut Taxable Income of Fiduciary of a Resident Inter Vivos Trust with Nonresident Noncontingent Beneficiaries

Add Line 12 and Line 15 and enter the result on Line 16.

Line 17 - Connecticut Taxable Income of Fiduciary

If an inter vivos trust with nonresident noncontingent beneficiaries, enter the amount from Line 16. Otherwise, enter the amount from Line 8.

The amount on Line 17 must also be entered on **Form CT-1041**, Line 1.

INSTRUCTIONS FOR SCHEDULE CT-1041FA

IMPORTANT: Verify line references from federal Form 1041. See note on cover.

Schedule CT-1041FA, *Fiduciary Allocation*, must be completed and attached to a **Form CT-1041** that is filed for a:

1. Nonresident estate or trust having income derived from or connected with sources within Connecticut;
2. Part-year resident trust;
3. Resident estate or trust with a nonresident beneficiary; or
4. Resident inter vivos trust with one or more nonresident noncontingent beneficiaries.

Refer to the front page of Schedule CT-1041FA to determine which parts must be completed and in what order.

Part 1 - Computation of Connecticut Tax of a Nonresident Estate or Trust and Part-Year Resident Trust

Line 1 - Federal Taxable Income of Fiduciary

Enter the federal taxable income of the fiduciary as reported on federal Form 1041, Line 22.

Line 2 - No entry required

Line 3

Add Line 1 and Line 2 and enter the result on Line 3.

Line 4 - Fiduciary's Share of Connecticut Fiduciary Adjustment

Enter on Line 4 the amount from **Form CT-1041**, Schedule B, Part 1, Column 5, Line e. This may be a positive or negative number.

Line 5 - Gross Taxable Income of Fiduciary as Modified

Add Line 3 and Line 4 and enter the result on Line 5.

Line 6 - Connecticut Taxable Income of Fiduciary from Connecticut Sources

In order to determine the Connecticut taxable income of the fiduciary from Connecticut sources, **add the following:**

a. Fiduciary's share of income from Connecticut sources from Schedule CT-1041FA, Part 2, Column 3, Line e.	
b. Amount of Schedule CT-1041FA, Part 1, Line 2 (\$644 gain) that is from Connecticut sources.	No entry required
c. Subtract the amount on Schedule CT-1041FA, Part 3, Column b, Line 18 from the amount on Part 3, Column b, Line 4.	
d. Subtotal (Add Lines a, b and c).	

Part-year resident inter vivos trusts with nonresident noncontingent beneficiaries, complete Lines e through k. All others, enter Subtotal from Line d on Schedule CT-1041FA, Part 1, Line 6, and go to Line 11 of Schedule CT-1041FA.

Because the amount entered on Line d includes the fiduciary's share of distributable net income and certain gains that are derived from or connected with Connecticut sources for the residency and nonresidency portions of the taxable year, and the share for the residency portion of the taxable year may include income that is not Connecticut-sourced, complete Lines e through j to determine the amount to be subtracted from the amount entered on Line d.

e. Enter the portion of the amount on Schedule CT-1041FA, Part 3, Line 24, Column b, that was non-Connecticut source income during the residency portion of the taxable year.	
f. Enter the percentage from Form CT-1041 , Schedule B, Part 1, Column 4, Line e.	
g. Multiply Line e by Line f.	
h. Enter the portion of the gain from Internal Revenue Code §644 that was non-Connecticut source income during the residency portion of the taxable year.	No entry required
i. Enter the portion of Line c that was non-Connecticut source income during the residency portion of taxable year.	
j. Subtotal (Add Lines g, h, and i).	
k. Total (Subtract Line j from Line d and enter the result on Schedule CT-1041FA, Part 1, Line 6).	

Lines 7 through 10 should be completed only by part-year resident inter vivos trusts with nonresident noncontingent beneficiaries.

Line 7 - Percentage of Resident Noncontingent Beneficiaries

Enter on Line 7 the decimal (rounded to four places) from **Form CT-1041**, Schedule B, Part 2, Line 4.

Line 8 - Connecticut Taxable Income of Fiduciary from Non-Connecticut Sources During the Period of Connecticut Residency as Modified

Enter on Line 8 the amount from Line j of the worksheet for Line 6.

Line 9 - Connecticut Taxable Portion of Non-Connecticut Source Income of Fiduciary

Multiply Line 8 by Line 7 and enter the result on Line 9.

Line 10 - Connecticut Taxable Income of Fiduciary of a Part-Year Resident Inter Vivos Trust with Nonresident Noncontingent Beneficiaries

Add Line 6 and Line 9 and enter the result on Line 10.

Line 11

If completing for a part-year resident inter vivos trust with nonresident noncontingent beneficiaries, enter the amount from Line 10. Otherwise, enter the greater of Line 5 or Line 6.

Line 12 - Connecticut Income Tax

Multiply Line 11 by 4.5% (.045) and enter the result on Line 12. (If Line 11 is less than zero, enter 0.)

Line 13

Part-year resident inter vivos trust with nonresident noncontingent beneficiaries:

- If Line 11 is greater than zero, enter 1.00.
- If Line 11 is less than or equal to zero, enter 0.

All others:

- If Line 6 is greater than zero and Line 6 is greater than or equal to Line 5, enter 1.00.
- If Line 6 is greater than zero and less than Line 5, divide Line 6 by Line 5, and enter the result as a decimal on Line 13. (Round to four decimal places.)
- If Line 6 is less than or equal to zero, enter 0.

Line 14 - Allocated Connecticut Tax

Multiply Line 12 by Line 13. Enter the result here and on **Form CT-1041**, Line 3.

Part 2 - Fiduciary's and Beneficiary's Share of Income from Connecticut Sources

The federal distributable net income derived from or connected with sources within Connecticut (Part 3, Column b, Line 24) is to be allocated in Part 2 to the estate or trust (fiduciary) and its beneficiaries in proportion to their respective shares in the federal distributable net income of the estate or trust. If Part 3, Column b, Line 24 is zero, do not complete Part 2.

Columns 1 and 2

Using Columns 3 and 4 of **Form CT-1041**, Schedule B, Part 1, enter the respective amount and percentage of federal distributable net income of each beneficiary and of the fiduciary on the appropriate lines of Columns 1 and 2. List beneficiaries in the same order as used on **Form CT-1041**, Schedule B, Part 1, Column 1. The entries on Schedule B, Part 1, Columns 3 and 4, and Schedule CT-1041FA, Part 2, Columns 1 and 2 will be identical.

For resident beneficiaries, their entire distributable share of estate or trust income, not just the portion derived from or connected with Connecticut sources, will be included in their Connecticut adjusted gross income.

Column 3

Enter on the Total Line of Column 3, the amount entered on Part 3, Column b, Line 24.

The share of each nonresident beneficiary or of the fiduciary of a nonresident estate or trust or part-year resident trust in such total amount is determined by multiplying the Column 3 total by the Column 2 percentage. With respect to part-year resident trusts, the amounts in Column 3 for nonresident beneficiaries should not include amounts received during the residency portion of the taxable year that were not derived from or connected with sources within Connecticut.

IMPORTANT: The fiduciary must provide each nonresident beneficiary with a schedule of amounts of income derived from or connected with sources within Connecticut for inclusion by the nonresident beneficiary on his or her **Form CT-1040 NR/PY**, Schedule CT-SI.

Part 3 - Details of Federal Distributable Net Income and Amounts of Income Derived from or Connected with Sources Within Connecticut

Enter in Column a the amount reported on federal Form 1041 as modified for the applicable items as reported on **Form CT-1041**, Schedule A, *Connecticut Fiduciary Adjustment*. For information on federal amounts which may be modified, such as a shareholder's share of S corporation nonseparately computed income or loss, or the gain or loss on the sale of Connecticut state and local government bonds, see *Instructions For Schedule A* on Page 17. Enter in Column b the portion of each amount in Column a that is income or deductions derived from or connected with sources within Connecticut.

Passive Activity Loss Limitations

In completing Column b, any deduction for passive activity losses must be recomputed to determine the amounts which would be allowed if the federal taxable income took into account only items of income, gain, loss or deduction of income derived from or connected with sources within Connecticut.

Part-Year Resident Trust Only

If completing for a part-year resident trust, include in Column b all income during the residency portion of the taxable year and all income derived from or connected with sources within Connecticut during the nonresidency portion of the taxable year. If the trust was a part-year resident trust, include in Column b all items of special accruals. See *Special Accruals* on Page 6.

Do not include in Column b any capital loss carried over from taxable years prior to 1991.

Part-year resident inter vivos trusts with one or more nonresident noncontingent beneficiaries should create a worksheet for Schedule CT-1041FA, Part 3, Column b. This worksheet should determine how much of the amount in Column b is attributable to non-Connecticut source income during the residency portion of the taxable year. This determination is used to complete the worksheet for Schedule CT-1041FA, Part 1, Line 6 on Page 22 of this booklet.

Line 1 and Line 2 - Interest Income and Dividends

Report in Column b, Line 1 and Line 2, income from interest and dividends included in Column a that is from a trade or business carried on in Connecticut. Also include amounts which relate to items of income, gain, loss or deduction of the estate or trust derived from or connected with sources

within Connecticut. Include in Column a and, if applicable, Column b, interest on state and local obligations other than Connecticut and exempt-interest dividends on state and local obligations other than Connecticut.

However, do not include in Column a or Column b any income which is exempt from state taxes under the laws of the United States or of Connecticut, such as interest on United States government bonds or dividends from qualifying mutual funds that are derived from US government obligations. A mutual fund is a qualifying fund if at the close of each quarter of its taxable year, at least 50% of the value of its assets consists of US government obligations.

Line 3 - Business Income (Or Loss)

Enter in Column b the net profit from a trade or business carried on in Connecticut by the estate or trust. If business is carried on both within and outside of Connecticut and the Connecticut income can be adequately determined from the books and records of the business, enter in Column b, Line 3, the net profit from business carried on in Connecticut. If the Connecticut income cannot be adequately determined from the books and records of the business, refer to Schedule CT-1040BA of **Form CT-1040 NR/PY** for instructions on how to determine the portion related to the Connecticut business operations.

Line 4 - Capital Gain (Or Loss)

Enter in Column b the amount of capital gain (or loss) from income derived from or connected with sources within Connecticut.

Part-year Residents and Nonresidents: Do not include in Column b a capital loss carried over from taxable years prior to 1991. (See *Conn. Agencies Regs. §12-711(b)-6*)

Line 5 - Rents, Royalties, Partnerships, Other Estates and Trusts

Include in Column b net rents and royalties from:

1. Real property situated in Connecticut whether or not used in or connected with a business;
2. Tangible personal property not used in or connected with a business, if such property has an actual location in Connecticut; **and**
3. Tangible and intangible personal property used in or connected with a trade or business carried on in Connecticut by the estate or trust.

If the estate or trust is a partner in a partnership, its distributive share of partnership income, gain, loss, or deduction derived from or connected with Connecticut sources is entered in Column b. This information is reported by the partnership on **Form CT-1065**, *Connecticut Partnership Income Tax Return*.

Line 6 - Farm Income (Or Loss)

Enter in Column b the net profit from farming carried on in Connecticut by the estate or trust. If farming is carried on both within and outside of Connecticut and the Connecticut income can be adequately determined from the books and records of the farm, enter in Column b, Line 6, the net profit from farming carried on in Connecticut. If the Connecticut income cannot be adequately determined from the books and records of the farm, refer to Schedule CT-1040BA of **Form CT-1040 NR/PY** for instructions on how to determine the portion related to the Connecticut business operations.

Line 7 - Ordinary Gain (Or Loss)

Enter in Column b the amount of any ordinary gain (or loss) from federal Form 4797 derived from or connected with sources within Connecticut.

Line 8 - Other Income

Enter in Column b any income derived from or connected with sources within Connecticut which is not reportable elsewhere in Part 3. If the estate or trust is a shareholder of an S corporation, its pro rata share of S corporation separately stated income or loss derived from or connected with Connecticut sources is entered in Column b. Also enter in Column b its pro rata share of the S corporation's nonseparately stated items of income or loss (to the extent includable in Connecticut taxable income of the fiduciary) that are derived from or connected with Connecticut sources. (This information, which is reported in Part V of the S corporation's **Form CT-1120SI**, should be provided to you by the S corporation.) If its share includes items of income, such as dividends or capital gains, those items must be included elsewhere on the appropriate lines of Schedule CT-1041FA.

Part-Year Residents and Nonresidents: Do not include in Column b any net operating loss carried over from taxable years prior to 1991.

Line 9

Add Lines 1 through 8 and enter the total on Line 9.

Lines 10 through 15

Enter in Column b only that portion of each item of deduction reported in Column a which relates to income derived from or connected with sources within Connecticut (as reported in Column b on Lines 1 through 8).

Enter on Line 15, Column a, the deduction allowed to trusts and estates under Internal Revenue Code §642(b). Use the following calculation to determine the amount of the §642 deduction to be reported on Line 15, Column b:

Line 15, Column b	=	$\frac{\text{Part 3, Column b, Line 9}}{\text{Part 3, Column a, Line 9}}$	x	Line 15, Column a
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Line 16

Add Lines 10 through 15 and enter the total on Line 16.

Line 17 - Adjusted Total Income (Or Loss)

Subtract Line 16 from Line 9 and enter the result on Line 17.

Line 18

Enter on Line 18, Column a, the amount from federal Form 1041, Schedule D, Column 1, Line 16.

Line 19

Enter on Line 19, Column a, the amount from federal Form 1041, Schedule A, Line 1 (long term and short term capital gain portion only).

Line 20

Enter on Line 20, Column a, the amount from federal Form 1041, Schedule A, Line 4.

Line 21

If the amount on Line 4 of this schedule is a loss, enter that amount on Line 21, Column a (as a positive figure). Otherwise, enter 0.

Line 22

Add Lines 17 through 21 and enter the total on Line 22.

Line 23

If Line 4 above is a gain, enter that amount on Line 23. Otherwise, enter 0.

Line 24 - Distributable Net Income

Subtract Line 23 from Line 22 and enter the result on Line 24. Enter the amount from Part 3, Column b, Line 24, on Part 2, Column 3, TOTAL Line.

EXTENDED HOURS OF TAXPAYER ASSISTANCE OFFERED

1999 Extended Telephone Hours for Personal Assistance:

Use Conn-Tax phone numbers listed on back cover and select Option "O."

Tuesday	January 26	(until 7 p.m.)
Thursday	January 28	(until 7 p.m.)
Tuesday	February 2	(until 7 p.m.)
Thursday	February 4	(until 7 p.m.)
Thursday	April 1	(until 7 p.m.)
Saturday	April 3	(8:30 a.m. - 12:00 p.m.)
Thursday	April 8	(until 7 p.m.)
Saturday	April 10	(8:30 a.m. - 12:00 p.m.)
Monday	April 12	(until 7 p.m.)
Tuesday	April 13	(until 7 p.m.)

1999 Extended Telephone Personal Assistance and Walk-in Hours:

(25 Sigourney Street Only)

Wednesday	April 14	(until 8 p.m.)
Thursday	April 15	(until 8 p.m.)

1998 TAXPAYER QUESTIONNAIRE

Department of Revenue Services, Taxpayer Services Division, PO Box 2987, Hartford CT 06104-2987

A MESSAGE FROM COMMISSIONER GENE GAVIN

Your evaluation of the services provided by the Department of Revenue Services (DRS) will help us serve you better. We appreciate receiving your comments and suggestions at any time, but especially as you complete your income tax return. Please include this questionnaire with your return (**do not staple it to the return**) or mail it to the above address.

1. Please rate your contacts with DRS in the past year.

	Excellent	Good	Fair	Poor
DRS Site on the World Wide Web (www.state.ct.us/drs)				
Tax-Fax (Fax on-demand using your fax machine (860-297-5698)				
Recorded Tax Information (CONN-TAX Telephone System)				
Telephone Assistance From a DRS Representative				
Walk-in Assistance at a DRS Office				
Tax Seminar/New Business Workshops				
Tax Information Publications				
Obtaining CT Tax Forms				
Other:				

Please explain your rating for any category if Fair or Poor: _____

2. Check the form you completed for the 1998 taxable year:

☐ CT-1040EZ ☐ CT-Telefile ☐ CT-1040 ☐ CT-1040NR/PY ☐ CT-1041

	Excellent	Good	Fair	Poor
Instruction Booklet				
Easy to read				
Clear explanations				
Complete information provided				
Form				
Easy to complete				
Clear line instructions				
Presentation				

Please explain your rating for any category if Fair or Poor:

Other comments: _____

3. What additional services should DRS offer in the future? Prioritize the following in the order of their importance to you. (1 = most important)

Credit Card Payments	
Expansion of Telefile	
On-Line Filing	
Other:	

4. What other suggestions or comments would you like to add?

CONNECTICUT TAX ASSISTANCE

FOR TAX INFORMATION

- Visit the DRS Website at:
<http://www.state.ct.us/drs>
- Call **CONN-TAX**:
1-800-382-9463 (in-state) or
1-860-297-5962 (anywhere)

Telecommunications Device for the Deaf (TDD/TT) users only, call 860-297-4911.

Personal Taxpayer Assistance is available during business hours listed at right. Extended hours will be offered January through April, see page 26 of this booklet for details.

- Write to:
Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106-5032

FORMS AND PUBLICATIONS

May be obtained at any hour of the day seven days a week by using any of the following resources:

- **Internet**
Preview and download forms from the DRS Website (<http://www.state.ct.us/drs>);
- **DRS TaxFax**
Call 860-297-5698 from the handset attached to your fax machine;
- **Telephone**
From a touch-tone phone 24 hours a day call:
1-800-382-9463 (toll-free from within Connecticut) or
1-860-297-4753 (DRS FormsUnit) and select Option 2.

WALK-IN OFFICES

For free assistance or forms, visit our offices from 8:00 a.m. to 5:00 p.m. (Monday through Friday). For pre-recorded directions to DRS offices call CONN-TAX. If you require special accommodations, please advise the Department representative.

BRIDGEPORT

10 Middle Street
203-579-6251

HAMDEN *

2105 State Street
203-789-7516

HARTFORD

25 Sigourney Street
860-297-5962

NORWICH *

2 Cliff Street
860-889-2669

WATERBURY *

91 Schraffts Drive
203-596-4310

* These offices will be moving in 1999. To verify the address, please call before you visit.

For questions about federal taxes, contact the Internal Revenue Service (IRS) at 1-800-829-1040.
To order federal tax forms, call 1-800-829-3676.

State of Connecticut
Department of Revenue Services
25 Sigourney Street
Hartford CT 06106-5032